Lord - Letters on National Currency - 1862

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E. Lord.

1867

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ON THE

Necessity and Practicability

OF A

NATIONAL CURRENCY,

AND THE

PRINCIPLES AND MEASURES
ESSENTIAL TO IT.

By ELEAZAR LORD.

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ANSON D. F. RANDOLPH,
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Edward O. Jenkins, Printer and Stereotyper, 20 North William Street, New York.

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SIX LETTERS.

I.

PIERMONT, 5TH MARCH, 1862.

THE following observations concerning the necessity of a *uniform National currency* and the leading principles essential to its success, are submitted to the public in the form in which they were originally addressed to an individual.

Happily the public mind is now far better prepared for the adoption of a system founded on the principles referred to, than at any former period of our history. The first great step in the right direction has been taken in the act making Treasury notes a *legal tender*. The progress of opinion, both in and out of Congress, in favor of this novel and important measure, has been rapid and extensive. What now seems wanting to confirm the public confidence in the safety and utility of this provision, and lead to the application of it to Treasury notes for issue as permanent National currency, is information on the subject, and the proposal of an adequate and feasible plan.

I apprehend that the issue, in direct payments from the Treasury, of the hundred and fifty millions of notes now authorized, will work a profound conviction in the public mind of the perfect safety, as well as the utility and convenience, of those notes, and go far to satisfy the public that similar notes, duly sanctioned and secured, would constitute a perfect National currency. It will, I hope, become a matter of settled and abiding conviction:

1st, That a *uniform National* currency is indispensable to the interests and welfare of the people.

2d, That to possess constantly, now or hereafter, sufficient

of the precious metals to constitute such a currency, is not possible.

3d, That a joint circulation of coin and paper cannot be made national, universally current, of uniform value, and in quantity constantly adequate to the demands of trade. The coin, the constant presence of which is necessary to maintain the circulation, safety and value of the paper, cannot be controlled. It is exportable, subject to the demands of foreign commerce, and to the exigencies of foreign nations; and were the coin *alone*, as formerly, to continue to be a legal tender, the country must inevitably continue subject to panics, contractions, sacrifices and distress, probably more than equivalent annually on an average—(in the positive destruction of values and hindrance of production, and in individual and social demoralization)—to the whole amount of currency yearly requisite to the welfare of the people. This system has been sufficiently tried, and ought to be abandoned by the people and by their legislative representatives, if any plan, by which its evils may be avoided, can be brought forward.

4th, That legal tender notes, secured by pledge of National stock, and issued by local Banks throughout the country, would constitute a uniform National currency exempt from the fluctuations and evils of the present system, and in all respects as safe as gold, were that abundant and always at hand.

But to promote and hasten these convictions, the subject must be discussed, and a plan must be proposed which will be acceptable to the public. The alternatives actually before us, are:

1st, An extension of the *legal tender* to secured Treasury notes to be issued by the local Banks instead of their own notes, as formerly,—so as to establish a truly National currency, receivable for all dues public and private, or,

2d, Two different currencies,—one for the Government, consisting of legal tender Treasury notes issuable and receivable by the Treasury Department for public dues; the other for the people, consisting of the notes of State Banks, or,

3d, A repeal of the *legal tender* clause of the recent act, as soon as the issues now authorized can be withdrawn, and a return be made to the former system of State Bank currency, with its acknowledged evils and uncertainties.

Some, it is understood, of those who voted for the provision making the Treasury notes lately authorized a legal tender, did so under the impression that it was justifiable because it was necessary, rather than from a conviction that it was in itself a safe and wholesome measure, independently of the present exigency of the Government. They supposed it to be a necessary expedient for the time; but they expected that, when the present emergency was passed, this novel expedient would cease to be necessary and would be dispensed with. Hence,—as if distrusting what by their own act they made a *legal tender* for all ordinary dues to and from the people,—they clogged the bill with the invidious and preposterous provision that the Government dues to a particular class of creditors, should be paid in another and wholly different legal tender, (gold, to be purchased at whatever sacrifice) the actual deficiency and want of which occasioned the necessity of issuing Treasury notes and making them a legal tender. And,—as if anxious to provide for and to hasten the withdrawment of those notes and extinguishment of their *legal tender* quality,—they provided for their conversion into Bonds, so that a relapse into the former condition of things might be facilitated and secured.

This course of action is, perhaps, more to be regretted than to be wondered at. The public, having suffered so much and so long from fluctuating and irredeemable bank notes, have imbibed strong prejudices against everything called paper money, and settled down on the assumption that bank notes promising to pay specie, though the promise cannot be fulfilled when coin is scarce and in demand, were the safest currency that can be had, and must, of course, be safer than notes from any quarter which bore no *promise* to pay coin. It may be hoped that these prejudices will be removed by actual experience in receiving and passing legal tender Treasury notes under the recent laws; and that the public will come to the conclusion that similar notes, issued on the same grounds of security as national bonds, must be as safe as gold, and safer than any corporate or individual *promise* to pay coin on demand.

In the mean time it is a grave question, whether the legal tender notes already authorized will not, in conjunction with the required payments in gold, render impracticable a re-

sumption and maintenance of specie payments by the banks, and thereby preclude a return to the former system of local currency, with gold and silver *only* as a legal tender. It is plain that, if a state of things should continue under which the banks could not resume and maintain specie payments, and supply a local currency equivalent to gold, and adequate to the wants of the people, other measures would have to be adopted. Something would have to be done which no plan of banking, on the so-called specie basis, could accomplish. There would be as real a necessity for enlarged issues of legal tender notes, to fill the demands of ordinary circulation, as now exists for those already authorized for the special use of the Treasury Department. Formerly, when the banks suspended—gold being of course beyond reach—the people had no alternative but to use, and to submit to the depreciation of, the suspended notes. Now there is a legal tender substitute equivalent to gold, as currency, with which the suspended notes will not be able to sustain a competition, and an ample supply of which will therefore be a necessity. Neither they, nor their basis of security, being exportable, these notes, if supplied, would be uniformly and permanently available. This, I presume, will come to be felt, and, perhaps, at a day not distant.

Suppose that, in addition to fifty millions of legal tender notes already issued, the authorized hundred additional millions should be paid out within a month, and that (the customs being receivable in gold, to be hoarded for the payment of interest, and the taxes levied not being yet collectable), no portion of the hundred and fifty millions should be returned so as to be reissued in discharge of the current demands of the ensuing month; and suppose, moreover, that the receipts of gold through the custom houses should, owing to payments in *demand* notes or for other reasons, be materially less than the demand for interest;—what, in that probable and apparently impending and inevitable predicament, would the Government be able to do? Would they not be reduced to the necessity of purchasing their own legal tender notes by a sale of national bonds at whatever price those who could command the notes were inclined to give? Suppose they sold an hundred millions of their bonds, and received for them sixty or seventy millions of the notes, so as to provide for a month's disbursements;

and, from like necessity, repeated the operation from month to month, incurring each time a permanent debt of an hundred millions, and six millions of interest, to provide for current payments. Can there be any mistake in saying, that, besides the effect of such operations on the credit of the Government, and the necessity of increased and permanent taxation, the frequent withdrawment of such large proportions of the legal tender notes from general circulation, would have the most disastrous and paralyzing effects on the business of the country? They would, indeed, be reissued: but the temptation to hoard them, in anticipation of further sales of bonds, would prevent their circulation as currency, and render the whole hundred and fifty millions of little benefit to the ordinary business of the people.

Under such a course of operations the public could not fail to see, that the evils produced were wholly due to the want of an ample legal tender, national currency, in place of the local and suspended currency of the State Banks, and of the absurd experiment of two inconsistent and conflicting currencies; that, with the exception of a few individuals, the people, among whom the mass of wealth is diffused, could not, under this system, invest anything in the public funds; that if, instead of the local and fluctuating supply of State Bank notes to which they were restricted, there was but one, and that a national, inexportable, uniform, legal tender currency, they could easily absorb the whole of the existing and impending debt; that with such a currency there would be a thousand competitors for every public loan to one under the present system, and that when called on for taxes they would have that to pay them with which the Government could receive and disburse.

Were the paper of the State Banks everywhere sound, permanently equivalent to gold, and uniformly adequate in quantity, the Government might successfully confront its fiscal difficulties, as long as it continued to receive and reissue its legal tender notes for the public claims and dues. But assuredly it cannot dispense with those notes under a state of things like the present, whether the banks continue suspended or not. The State Bank notes, at best, can have but a mere local circulation. They cannot furnish, in all parts of the country, a currency which could be received and disbursed by

the Government. Should the banks resume specie payments, and the legal tender notes previously issued be then withdrawn, all the revenues and disbursements of the Treasury would have to be paid in gold; and to whatever extent the disbursements exceeded the returns in taxes and customs, national bonds would have to be sold at whatever price they would command in gold, while the paper currency of the country would be subject to more ruinous depressions and fluctuations than ever heretofore. This course of things, instead of enabling the State Banks to sustain their issues and operations, would be antagonistic and fatal to them. Of the two currencies the metallic, controlled by a single and resistless power, would assert and maintain the ascendancy, at whatever sacrifice of the interests of the people.

Were the annual receipts equal in amount to the annual payments, the Government would require no permanent loans;—its legal tender notes would supply the means for intermediate payments. But while the disbursements vastly exceed the receipts, both taxes and loans are required; and under this condition of things, the incompatibility of two currencies, one a legal tender and the other not, cannot fail to make itself felt.

Waiving for the present a particular reference to the question, whether the course of external commerce and exchange is likely to be such as to render possible a resumption and maintenance of specie payments, I assume that, whether the Banks resume or not, they cannot possibly furnish a *national* currency, or a local currency adequate to the public and private exigencies; and that the existing and accruing public debt, the imposition of heavy taxes, and the coincident security and prosperity of the business and affairs of the people, render an ample, uniform, legal tender, national currency, a matter of palpable and imperative necessity. Such a currency can be supplied only by the National Government, and can be rendered secure both to Government and people only by a pledge of National bonds, whereby a large proportion of the public debt would be absorbed and kept out of the market.

Cannot such a *national* currency be promptly furnished by the Government, and rendered permanent with incalculable benefits and without injury or hazard to any of the interests of the people? I apprehend that a decided affirmative an-

swer to this question may, and, ere long, must be given: and that the only difficult problem involved in it is,—How shall legal tender notes be supplied, issued, and used as *local currency* in every part of the country? It is plain that the issuing of them from the Treasury in all direct payments, and receiving of them for all dues, would not accomplish the object of constant and adequate local circulation. The amount circulated through the Treasury would not be sufficient. Being a legal tender, and receivable for all dues to the Government, except customs, they could not, any more than gold, be kept, otherwise than at a premium,—in circulation with non-legal tender or suspended bank-notes. To supply the proposed Treasury notes for local use in every part of the country, requires the instrumentality of local Banking organizations, using them as capital, and in amounts equal to the demands for local circulation. The plan indicated in my published Letter to the Secretary of the Treasury in November last, and more fully expressed in the pro-forma draft of a Bill, of which a copy is subjoined, would, I think, effect this object. Its leading provisions are:

1. That Treasury notes,—(having all the conditions of security, legal and fiscal, which the National Bonds have)—be made a legal tender for circulation as National currency.

2. That the existing State Banks, and new Banking companies be authorized—the first gradually according to their convenience,—the latter at once on their being organized,—to subscribe for, and invest their capitals in, United States six per cent. Bonds; to deposit the Bonds with the Treasury Department as security for like amounts of the said Treasury notes, convertible, on the surrendry and cancelment of them, into the pledged Bonds; and to receive from the said Department, and to issue and circulate the said notes in their banking business,—the respective Banks sustaining all risks and losses incident to their own transactions.

3. That the said notes express on their face, that they are secured by pledge of national bonds, are a legal tender in all payments, public and private [except customs], and are convertible into the Bonds which they represent; and on their back, the name and place of the particular Bank to which they are issued;—and that all the notes of each particular denomination, to whatever Bank they are delivered, be print-

ed from the same plate, that the circulating paper may be uniform.

This plan would, I apprehend, be acceptable in all parts of the Country, and would be adopted by the existing Banking Corporations as fast as a transfer of their Capitals was found practicable, and promptly by new Banking Companies. Competition with it by Banks of issue on the so-called specie basis would not long be found desirable. It would establish a safe and uniform *national* currency,—a currency constituting, in the form of circulating notes, so much of the national debt—retiring and practically superceding the Bonds deposited in pledge for its security.

The Section of the pro-forma Bill, above referred to, which prohibits a transfer of any of the legal tender notes out of the bounds of the United States, might, it seemed to me, be expedient, as a means of keeping the quantity of currency uniform; but it is by no means essential or to be insisted on. The position, often insisted on, that the quantity or amount of Treasury notes to be issued as currency should be *limited*, I perfectly agree to.

The only question in the case relates to the nature or mode of an effectual limitation. In my Essay on Currency and Banking, in 1834, proposing the principles and provisions of the original Free Banking Law of this State,—security of the notes by pledge of public stocks, limitation of the notes to the amount of security pledged, etc., I argued that the system involved inherently a sure and self-operating limitation, more to be relied on than express statutory restrictions. The argument is briefly this: That the capital of the respective Banks is to be invested in productive stocks, and deposited in trust beyond the control of the depositors, as security for the notes issued; that the amount of notes delivered for circulation shall not exceed the amount of pledged security; and that, under these conditions, the owners of the pledged capital will be effectually restrained by regard to their own safety, from lending and putting in circulation more of the notes than the demands of trade required,—since all risk of loss occasioned by excess of issues would fall on them, while the bill-holders would be safe. This restraint, which directly touches the interests and responsibilities of the lenders, appears to have been operative and effectual on the Free Banks in this State, which

have increased from ninety-nine, under the prior system, in 1837, with thirty-seven millions of capital; to three hundred and one in 1861, with one hundred and eleven millions of capital. Men who have capital to invest in public stock will not pledge that stock as security for notes restricted to the same amount, and then risk the capital pledged by lending so many of the secured notes as to inflate prices and bring on speculation, reaction and sacrifices, and endanger their capital. Inasmuch as the system precludes the issue of any other than the secured and stamped notes, and the power to make, or avoid, excessive issues is in the hands of those who give security, and is limited to the amount of security actually given, the restraint of self-interest will operate with constant force and effect. Suppose that the total amount of secured notes should exceed the ordinary demands of circulation in the country, or in any section of it. The Banker, receiving interest regularly on his pledged securities, could afford, and would have every inducement of prudence and self-interest, to lend only so much as was safe to the public and to himself. This inherent nature and tendency of the system, in connection with the fact that, in any event, the bill-holders would be secure, might be found to be a constant and effectual limitation. But there can be no objection to the adoption of statutory and constitutional restraints and penalties; and that, for the satisfaction of the public may be expedient and necessary.

II.

PIERMONT, MARCH, 1862.

It is a *national* as well as a secure and uniform currency, that the exigencies and the interests of the Nation, and the existence, credit and stability of the Government now imperatively demand. No plan which would not establish such a currency can merit any particular consideration; and if such a currency cannot be established now, we may conclude that *the money power*, foreign and domestic, operating through sixteen hundred or more Banking Corporations and thousands of individual capitalists, will henceforth rule the country and its Government on this question, and subject the people to whatever exactions and sacrifices the interests and policy of

that insatiable power may dictate. If under our present circumstances those who wield that power can mystify the people and their representatives, by sophisms and paradoxes which are repudiated and denied by common sense and by all experience, their dominant influence may be considered triumphant and resistless. If their designs can be accomplished by asserting and reasserting that Treasury notes secured by National Bonds, based on a pledge of the revenue and of all the taxable property of the Nation, are worthless paper, mere rags and cheats, though the Bonds which they represent are the safest and best securities in the world; or if they can gain their object by insisting that the only secure currency possible, besides gold, is that of bank notes which *promise* redemption in coin on demand, though a literal compliance with the promise, beyond a limited amount, is known to be at all times impossible, and though a total non-compliance is of necessity resorted to when coin is scarce and in demand; or, in short, if it avails them to extol and defend the illusion of bank note promises which cannot be fulfilled,—promises which, if fulfilled to a fractional extent when convenience and interest permit, are expected and are of necessity to be broken whenever their fulfillment is of any special importance,—then there can be little hope that either arguments or events will hereafter work any beneficial change.

But I think it safe to assume, that these hackneyed phrases and shallow paradoxes are losing, and will rapidly lose, their delusive and blinding influence. Whenever the public mind is sufficiently arrested to think, and to perceive what it is that renders a currency safe, what the function and object of the currency is, and what relation it has to the interests, convenience and welfare of the people, and to the fiscal operations of the Government, both legislation and practice will be reformed. It will be clearly perceived that if, hereafter, the country is to depend on the former system of bank paper, purporting to be redeemable in gold and constantly subject to curtailment and suspension as that article is more or less within control or is withdrawn by foreign commerce and speculation, then the internal affairs of the country, its trade, industry, enterprise and welfare, will be held dependent on the operations of foreign commerce and the policy or necessities of foreign nations; and instability, hazard, panics, revul-

sions, sacrifices and bankruptcies will, of course, prevail. And it will be no less clearly perceived, that an ample, safe, uniform National currency, not exportable, nor subject to the vicissitudes of foreign commerce, would constantly and perfectly fulfil the uses and ends of internal circulation and domestic exchange, and give security and stability to the business and employments of the people. When the interior population, as well as that of the commercial centres, shall have had experience of the legal tender Treasury Notes now authorized, they and their representatives will be prepared to decide, whether, for the sake of our security, welfare and convenience, we shall have a national currency of our own beyond the influence and control of the interests and policy of foreign nations; or whether, like dependent, distrusted, and helpless subjects, we shall be bound hand and foot by a theory of paying our dues to each other in an exportable article, according to the usages and on the terms dictated by the most barbarous, and the most aristocratic and tyrannical governments of remote and alien countries.

The pro-forma Bill, referred to in my previous letter, proposes a *National* Currency, and contemplates an immediate supply of *legal tender* notes to all the existing State Banks which desire them and deposit the required National Bonds for their security. Without coercing them, infringing their rights as corporations, or interfering with the State laws to which they are amenable, the Treasury Department can receive deposits of National Bonds from such Banks, and deliver notes for circulation to them, without incurring any necessity of supervising their transactions, or any responsibilities on account of the notes so issued,—any more than is incurred in relation to individual capitalists to whom National Bonds are sold, or in relation to individuals who receive payments direct from the Treasury in like notes or in coin stamped by the Government. The notes for Banking purposes are to be delivered to Banks for value received,—their equivalent value received and held in pledge. To the like effect the Bill contemplates the institution and operation of New Banking Companies without restriction as to number or location.

Now let it be observed,

1. That it is a circumstance strongly favorable to the adoption of this plan of Banking, that *legal tender* Treasury notes are already sanctioned as equivalent in all payments to gold as currency, and as being indispensable to the operations of the Government. They are in actual use, and perfectly answer their purpose. A main difficulty has been surmounted. The experiment of a substitute for gold has been tried. The confidence of the nation in its own resources, patriotism and integrity, has been asserted. For the first time, one may say, the nation has realized and acted upon the idea of trusting itself,—of considering its indebtedness to itself as sacred, as its indebtedness to foreign nations which it never failed to honor and protect,—of considering its indebtedness to itself, in the form of circulating notes, as sacred and reliable as its indebtedness expressed in the form of registered and transferable Bonds. Having, to maintain its own existence, incurred debts which it intends to pay, and for the protection and payment of which it taxes and intends to tax itself, and having in connection with those debts occasion to use its credit, it has the sense and the self-respect to express and legalize that credit in the useful, practical, hand to hand form of circulating notes.

This proceeding is not an arbitrary, reckless, unrestricted emission of mere paper, like that at different periods of some European and South American Governments in desperate emergencies, by which the very name of *paper money* has been rendered odious. The notes are authorized and issued as the legalized, secured, restricted token and representative of value, for which the mutual welfare, and the property, revenues and good faith of the whole people are pledged. To dishonor or discredit them would be, on the part of the people and their government, as suicidal and absurd, as to nullify their title deeds, repeal their statute laws, and burn down their houses. That a nation governing itself like ours by choosing its own rulers and dictating its own laws,—a nation of ample resources, an intelligent and law-abiding nation, whose comfort, security and prosperity depend on mutual confidence and good faith in their transactions and in all their intercourse and relations, and to whom a uniform and reliable circulating medium is as real a necessity as light and air,—that such a nation, after providing itself such a currency,

should fail to adhere to, protect, and sustain it, is as preposterous and absurd as to suppose a man in health to take direct and active measures to destroy himself by a complication of diseases and torments.

2. It is an important consideration in favor of this plan, that it would absorb the national stocks, and supercede the necessity of sacrificing them in the market, or vending them in Europe. Should the operation be gradual, the system of which it is a part provides an effectual remedy. Suppose the Government to issue directly to its creditors legal tender notes sufficient to meet the current demands upon the Treasury, and at the same time to issue to Banks, as fast as called for, like notes in exchange for National Bonds to be held in pledge, and to sell Bonds to capitalists for investments at par. Would not this course of operation absorb the Bonds fast enough to maintain their price in the market at par, to establish the notes as the national currency in place of the local currency of the State Banks, and, without sacrificing the Bonds, to sustain the volume of circulation requisite to the interests and convenience of all classes of the community till the whole public debt could be disposed of to the citizens of the country? In so far as the notes were in the hands of the people the amount of them would be in effect a loan to the Government as truly as the amount of Bonds purchased and held by capitalists. Suppose the demands for circulation as currency should amount to four hundred millions, and that the issues to Banks should after a while equal that amount. Would not this supply what the country so much needs, a sufficient, safe, uniform National Currency? In the mean time the operation referred to would not diminish the volume of State Bank circulation any faster than it was superceded by Bank issues of Treasury notes, and therefore would not occasion any severe or sudden scarcity of circulation.

3. It is a specialty in favor of this plan that it would insure to the country a perfectly safe, uniform and unexceptionable currency,—preferable in all respects to gold were that always at command. It would be a more invariable measure and standard of valuation and of determining differences of value in exchange. Gold has an intrinsic value in commerce which fluctuates according to the varying relations of supply and demand. It is regarded as a measure and standard of the

value of other things, only because by statute law it is arbitrarily declared to be such, and is made a legal tender at a certain rate of reckoning per ounce of a given degree of purity as coined, or stamped as bullion. A specific quantity of it is by law named and declared to be a dollar, and a thousand such quantities coined, is, in legal reckoning, equivalent to a Government Bond for one thousand dollars,—whether at the time of such reckoning gold is scarce, and, for commercial purposes, salable at a premium, or plenty and salable only at a discount.

This currency of secured Treasury legal tender notes would be more invariable than gold as a standard, because, having but one function to fulfil, not being an article of commerce, not having intrinsic value, and not being exportable, its denomination, import, and prerogative as a measure and expression of the value (price, relative denomination in exchange, ratio of reckoning in figures) of other commodities, would not be affected by the condition or by any of the operations of commerce, any more than the *quantity* in legal gallons or bushels, or the *length* of legal yards. Fluctuations in the prices of commodities would be due not to any change in the value or price of the circulating notes, but wholly to the proportions of supply and demand. To suppose the notes to depreciate would be to suppose them to be articles of commerce and export, and to be amenable to some other legalized standard,—and to some standard other than gold, since that, having intrinsic value and being an article of commerce and export is variable and fluctuating as the quantity increases or diminishes.

The practical and demoralizing injustice to the people of a country, which results from having a variable measure of value, and making that alone a legal tender, may be illustrated by comparing it with the effect of having legalized standards of weights and measures subject, from the operations of commerce and the practice of dealers, to variations of quantity and length;—so that a yard of three legal feet should represent, at one time two, and at another time four feet, of twelve inches each.

With a currency not liable from its nature, or from its function and uses to variableness as a standard, changes in the prices of wheat, cloth, and other commodities, are in no

degree to be ascribed to changes in the currency itself, and cannot, with any truth, be accounted for, by saying that the currency has depreciated and is at a discount, or that it has appreciated and is at a premium. The changes can be affirmed only of the commodities, and can be accounted for only by saying, that owing to the relative proportions of supply and demand, they have risen or fallen in value as compared with the legal and unvarying standard. To assert the contrary, with reference to such a currency, is to assert no less than that the commercial value of wheat and other commodities is uniform, without regard to the proportion of supply to demand, that they are the measure and standard of value, and that changes in the market prices of them signify only changes in the legal rule and standard of reckoning.

Such a currency of secured legal tender Treasury notes, would be the *safest* as well as the most uniform that is possible in the nature of the case. It would be the *safest*, since,—instead of being based on individual credits expressed in discounted commercial paper, and back of that, nominally based on coin, of which a small proportion only is actually possessed, and which it is often impossible to obtain,—it is based immediately on National Bonds which it represents, and through which it is based on the whole property, power and revenue of the Nation. It is a fraction of the property of the people, their lands, minerals, mills, machinery, buildings, products, represented in the notes, and employed in circulation as currency,—employed as a necessary instrument of traffic, and essential alike to their interests and to the existence and objects of the Government, and involving every power, every motive, and every obligation requisite to insure its perfect safety. No condition of things external to the nation could impair its security or disturb its uniformity. The life, prosperity, and wealth of the nation, give it being, vitality, and security. And inasmuch as it is not in the list of articles of export, and all that it is designed and wanted for is its *use* in circulation, its safety and uniformity are its only essential and indispensable qualities. Possessing these qualities, it will purchase whatever is offered for sale; and if not wanted for circulation it may be resolved at par into the best known security, the National Bonds which it represents.

4. Another consideration in favor of the plan proposed in

this Bill, is, that it would greatly diminish the responsibilities and simplify the practical business of Banking. A very large proportion of the risks, and of the labor and expense of managing the affairs of Banks of issue, is occasioned by the promise to redeem their notes in specie;—a promise which is unavoidably disowned when coin is scarce and in demand, but which, nevertheless, exposes the Banks to odium and distrust, and to legal penalties, and greatly adds to the labor and expense of their transactions. With *legal tender notes*, guaranteed by indubitable securities held in pledge beyond the control of the Banks themselves, such odium, hazard, labor and expense would be avoided; and the business of Banks would be rendered as simple as that of private lenders of circulating currency. They would no longer be subject to derangement, restraint of discounts, inconvenience and perplexity, by demands on them for gold for commercial or speculative purposes. The supply of gold and silver for change and for manufactures, like that of other articles of commerce, would regulate itself, or be regulated by the interests and convenience of Banks and people, in connection with the operations of the mint. Let gold and silver coin continue as at present a legal tender at the rates prescribed by law, without reference to their fluctuations in quantity and price as articles of commerce, and they would in both relations produce all the beneficial and as few of the evil effects, which it is in their nature to produce.

5. It may with reason be urged in favor of this plan of Banking with secured legal tender notes, that it would powerfully tend to lower the rate of interest in the country. The Banks themselves receiving six per cent. interest from the Government on their pledged capital, and paying no interest or taxes on the notes which they loaned, could well afford to lend them at a less rate of interest than Banks that employ their capital itself in circulation. Their exemption from the labor and expense incident to the so-called specie paying system, would likewise tend to induce a reduction of the rate of interest. The high rate of interest which prevails under the existing system, is undoubtedly due in a great measure to the incessant fluctuations in the quantity of currency, owing to the greater or less scarcity of the precious metals as the standard to which it is amenable. This powerful cause of a

high rate of interest would be avoided by the proposed system. The volume of currency would be subject to no such cause of fluctuation. It would be as safe to the Banks to lend and issue it when gold was scarce as when it was plenty; and by a regular and constant use of the whole of it, they could well afford to lend it at a less rate of interest than under the present system of alternate scarcity and abundance.

This consideration is of great force, not only to borrowers, but to the whole community. A high rate of interest increases the hazards of trade, requires high rates of profit, and in the end is a tax on consumption. With the proposed ample, uniform and unfluctuating currency, there can be no reason why the rate of interest should exceed that of other commercial countries. The population of this country have, in proportion to their numbers, more of what in political economy is called *wealth*, than the population of any other country. But the wealth is diffused among the whole people, in a degree no where else realized. Instead of being concentrated in the hands of the few—a privileged class—hereditary land and fund holders, bankers and monopolists, as in England,—it is shared by the commonalty, the million, and in proportion to their diversified objects of labor and enterprise, is relatively scanty and insufficient. To one man in England who owns real estate, or carries on any trade, manufacture or commerce on his own account, probably one hundred men in this country own land or other property, and pursue their trade or labor solely on their own account. In like manner an hundred men here, to one in England, have occasion to use their credit to incur debts, to be borrowers. The proportion and ability of lenders, on the contrary, is comparatively deficient here; and the competition, being not that of capitalists to find borrowers, but that of the multitude to find lenders, naturally induces and maintains a high rate of interest. This plan of Banking, by providing for a safe currency, issuable in every section of the country, without being liable to be suppressed or rendered fluctuating by a scarcity of coin or by any operations of commerce, would powerfully tend to lower the rate of interest, and give stability and security to the labor, trade and enterprise of the people. At the same time, it could not fail to render the *loans* of Banks more safe than they can be on the present system, and to induce more punctual payments.

By supplying a more uniform volume of currency, a circulation less liable to fluctuation and curtailment, and thus, by rendering practicable the collection of private local accounts and of debts due from distant places—in a word, by actually furnishing a currency to pay with, the safety of loans would be increased, and the rate of interest for them might therefore be reduced.

6. It is in favor of this plan, that it would be as practicable and safe to the Banks in one, as to those in any other, section of the country. This cannot be said of Banks under the present system. The course of internal trade tends to keep the interior indebted to the commercial cities on the sea board, to draw the precious metals to those centres, and consequently to restrain and render insecure the operations of the remote and isolated Banks of the interior.

If the foregoing observations are substantially just and well founded, then it is certain that there may be a secure and uniform currency independently of gold as a basis real or nominal; and there is ground of confidence that the proposed plan would establish such a currency. It is plain, that, with respect to our own internal exchanges and domestic interests, the sole object and end of a currency, is *its use in circulation*; and if it is safe and uniform, that is all that is wanted of it, and all that it is possible to have, either of coin or paper, so far as relates to its office, object and utility as currency. If the proposed notes are perfectly safe, that is as much as can be said of gold; and if they are perfectly safe, there can be no more necessity, propriety or sense, in making them redeemable on demand in some other kind of currency, than in subjecting coin to the same condition. For all the purposes of a national, internal, domestic currency, the condition would be superfluous, vexatious and without utility. The evils of that condition in our present system are submitted to, under the vague notion that the currency, to be safe, must purport to be metallic, and that the precious metals must, *as currency*, be subject to the demands of foreign traffic and at the rates dictated by foreign nations, as if those metals were the common property of the world, independent of the laws of particular nations, and entitled, from their nature, to usurp the triple office of a standard of value, a circulating medium, and a commodity of commerce. The proposed system, by leaving the

precious metals free to all the demands of commerce, would be liable to no reasonable objections from that quarter; and by freeing the currency from any dependence on them, would exempt the Banks and the people from all anxiety about them.

III.

PIERMONT, MARCH, 1862.

IT is understood and expected that a Banking Bill will be submitted to the consideration of Congress in the course of the present session, and probably at an early day. It may be a bill requiring security for the notes to be issued, making the notes redeemable in coin on demand, and withholding from them the quality of a legal tender. Whether such a bill would be adopted in all or in any sections of the country, or whether, if adopted, it would provide, establish and maintain a National and uniform, or only such a local, multifarious and fluctuating currency as we have at present, are, I apprehend, questions likely when discussed or put on trial, to meet a negative answer. Would it be adopted by the existing Banks, unless they were coerced? Can they be coerced by the National Legislature? Does the plan present a motive of self-interest that would induce the institution of new Banks?

But supposing this plan should be adopted on the assumption that it would provide—not one uniform National currency, receivable every where for all dues, public and private—but, a *sounder* local currency than the present, at some points and to some extent at least, in the several States. It is obvious that to render this currency any sounder than that of the present State Banks, the obligation to redeem it in coin must be promptly and rigidly enforced, which would as certainly break up and extinguish the new Banks, as such enforcement would break up the Banks we now have. It is idle to suppose that making the rule absolute and the enforcement of it certain, would have any the least effect to keep gold in the country and within control. It would not on that plan be safe for any length of time to lend enough of the notes to make Banking any object. In short, the injury to the public would be such that the rule could not be enforced. The plan, so far as relates to paying specie, would fail as certainly as

the plan of the existing Banks fails, and for the same uncontrollable causes. And it is preposterous to suppose that such a plan could be introduced while the existing Banks throughout the country are suspended.

But it may be imagined that the existing Banks will shortly resume specie payments, and that ever after the course of foreign exchange will, by force of legislation or otherwise, be so regulated as to insure us a constant and sufficient supply of the precious metals to render it practicable to enforce the rule abovementioned. This, at least, must be assumed by those who would favor a National Banking Bill on the plan abovementioned, on the ground that it would install a sounder currency than we now have.

In this view of the question it may be worth the while to consider briefly what prospect there is, in the present condition of our affairs, of a resumption and maintenance of specie payments by the Banks. As preliminary to any calculations on this subject, let it be observed, (1.) That the country is at present heavily indebted to foreign nations. (2.) That the expenditures for the war are likely yet to add greatly to that indebtedness. (3.) That the country is largely in want of foreign commodities, which will be imported as soon as the war is over and confidence restored. (4.) That our exports for the next twelve months may be very moderate and cannot be very large in amount. Should the demand for breadstuffs cease, and the balance of the last year's crop of cotton be withheld or long delayed, the exports must be of small amount. (5.) That owing to the interruption of foreign trade by our war, and by the unsettled state of affairs in Europe and throughout the world, vast stocks of manufactures and other exportable articles have accumulated abroad, which on a renewal of trade will be sent to this country as the best or as the only market, and with a view to turn the balance of trade against us and drain us of the precious metals to replace their specie payments for corn, and sustain their own precarious or exhausted finances. (6.) That impending convulsions and conflicts among the Nations of Europe may greatly enlarge and intensify their demand for the precious metals, and their efforts to obtain them from this country in exchange for their commodities and for our stocks and bonds held by them. (7.) That our war may linger, and entail enormous expenditures

for years; and that vast and costly preparations may be called for to meet or ward off hostile aggressions from abroad. (8.) That to whatever extent we sell our National loans abroad we shall add to the perils of our condition, and transfer to foreigners a resistless power over our precious metals.

If such is the present aspect and condition of our national affairs, a plan of Banking on the effete system of *specie* payments, ought not to be adopted without an absolute certainty that we can turn the tide of exchanges in our favor, and maintain a constant influx of the precious metals. It would be the height of folly for the Banks to call in their present circulation and paralyze the business of the country, to effect a nominal resumption of specie payments, without being quite sure that they could maintain them, at least, till our present and impending difficulties were surmounted. And it were far better that Congress should refrain from legislation on the subject, than that, under the name and semblance of a National system, they should adopt a plan of mere local experiment, involving all the elements of insecurity, fluctuation, and failure which characterize the system intended to be remedied.

I am aware that calculations founded on custom-house valuations of exports and imports are liable, more or less, to inaccuracy. But they furnish the best grounds of inference that we possess, and are, probably, as near approximations to the truth on one side as on the other. I therefore submit the following statements in round numbers, to illustrate our condition, liabilities and prospects.

It appears from the late Treasury Report, that the total imports during the year ending 30th June, 1860, amounted in round numbers, including specie, 8 millions, to 362 millions: and the exports, including specie, 57 millions, to 400 millions.

Showing an excess of exports of 38 millions:

For the year ending 30th June, 1861, the total of imports—including specie, 46 millions, was	334	millions.
Add, as estimated from entries at New York, for six months, ending 1st January, 1862....	76	do
Making..................................	410	millions.
And exports—including specie, 27 millions..	248	do
Add, per estimates as above for six months..	82	do
Total..............................	330	millions.

Showing an excess of imports for 18 months to 1st January, 1862, of 80 millions; which would exhaust the balance due us in 1860, and leave us in debt at the opening of the present year, about 40 millions, besides the State, Railway, and other bonds and local stocks of this country held abroad, and variously estimated at 250 to 300 millions,—say 260 millions—making a total indebtedness of this country to foreign nations, at the beginning of the present year, of 300 millions.

What then are our prospects as to a course of exchange in our favor, and as to an immediate and permanent redundance of the precious metals, whereby to maintain specie payments—a sound and adequate specie and specie-paying currency throughout states and territories comprising three millions of square miles, and in commercial competition with nations, the exigency of whose affairs requires more specie than the world affords? Suppose that we now owe abroad, of private, commercial, state and corporate debts, to the

amount of..................................	300	millions.
Of National Bonds, old and new, at home and abroad, already issued......................	300	do
Of Treasury Notes, issued and authorized......	150	do
Of bonds authorized for incurred and accruing indebtedness............	500	do
Of taxes and customs to sustain our affairs till 30th June, 1862..........................	250	do
Making an aggregate of....................	1,500	millions,

requiring interest in gold equal, probably, to six per cent on 1,000 millions—or sixty millions per annum on an average of the present and one or two ensuing years;—to say nothing of our incurring additional millions and scores or hundreds of millions of further indebtedness by imports, and by new issues of Bonds; or of our making provision for paying, in gold, maturing demands for the principal of outstanding Bonds from time to time.

Even should a portion of the above indebtedness not be subject to interest earlier than January, 1863, the above estimate will not be far out of the way for the average for the next two or three years, supposing the Treasury Notes to be gradually absorbed by exchange for twenty year Bonds,—especially as the public debt on 1st July, 1862 and 1863, is now

expected to exceed by a very considerable amount the estimates in the Report of December last.

It may reasonably be presumed that to cover the commercial debt due abroad on the 1st of January 1862, with interest, (say twenty millions,) on that and on the stocks and bonds held there, and to maintain a course of exchange in our favor sufficient to prevent an export of our precious metals, would require an excess of other exports over imports of at least one hundred millions during the year 1862. But it is now too late to admit of such a result or of any excess whatever.

Suppose the exports of breadstuffs and other northern products to continue to the end of the present fiscal year, and to amount during the second half of it to about the sum above stated for the first half, ending January 1st, 1862—say eighty millions, making together for the year one hundred and sixty millions; and suppose the southern blockade should be removed early enough to permit the balance of the cotton crop of 1861 (of which nearly forty millions has been exported) to be shipped, and to bring three-fourths as much as the entire crop of 1860,—say one hundred and forty millions, making together three hundred millions. Then, should the imports on the revival of commerce and shipment of cotton increase, so as for the year to equal, by 1st July, 1862, those of the year ending first July, 1861, viz. three hundred and thirty-four millions—there would be in that extreme case, instead of a balance of one hundred millions in our favor, a balance (including forty millions 1st January last) of seventy-four millions against us. Should only half the estimate for cotton go forward, or seventy millions' worth, the balance against us would be one hundred and forty-four millions. And it may justly be thought more probable, as things now look, that not over forty or fifty millions worth of cotton will be shipped before the 1st of July next, and not more than fifty or sixty millions worth of all other products—exclusive of specie, within the six months ending 1st July, than that the aggregate will exceed those sums. In this case the balance against us, would, even allowing a large deduction from the estimate of imports, exceed one hundred millions, besides the forty millions above represented as due January 1st, 1862.

In any view that can be taken it seems inevitable that there must be a heavy commercial balance against this country on

1st July next, which balance, whatever may be the amount of it, will constitute a claim on us for specie. A heavy and increasing balance against us is already making itself felt, and causing a drain of gold; and so sure as confidence and commercial activity are restored, that adverse balance will be more severely felt. It has occasioned a suspension of the Banks, and, unless we adopt a plan of banking with secured legal tender notes, exempt from the fluctuations, and independent of the presence, and of the abundance or scarcity of gold, it will cripple us, and fill the country with confusion and misery.

If there is any escape, or any hope of relief from our dilemma, it must depend on the events of the year ensuing the 1st July next. To judge of the prospect of such relief, suppose that the grain crops in Europe the current year, should supply the demand for consumption, and that no exports from our shores should be required. Suppose our cotton crop next year, by reason of the war, should be diminished one half, and that by competition with supplies from other countries, the price should be greatly reduced. Suppose our National debt should increase to the amount of two thousand millions, and require yearly one hundred and twenty millions of coin to pay the interest. Suppose that our own grain crops should be deficient, that foreign wars should arise, that great disasters at sea, internal dissensions and embarrassments, or other National difficulties and evils should arise. Then, what would be our condition if our currency, subverted by the export of coin, deranged, depreciated, deficient, was the instrument only of anarchy and confusion? Is it not the part of prudence to have these threatened and possible, if not in detail wholly and altogether probable eventualities, distinctly in view in any attempt to provide ourselves a currency? Are we not now in the midst of difficulties? Will any man pretend that he foresees how much and in what forms they will be augmented, or when they will cease and disappear? Does any man imagine that this nation is easily and quickly to emerge from the disasters and horrors of the most sudden, desperate and exhaustive rebellion into which any nation was ever plunged, and to resume, as by magic, its former internal condition of ease and prosperity, and its former external relations of security and repose?

It is a fine thing to talk of our boundless and inexhaustible resources. It is quite another thing to realize that with our suspended Banks, and our thraldom to the false theory on which they rest, we are powerless to bring these resources into use and render them available to the payment of our daily expenditures and the extinguishment of our debts. It is flattering to think that we are rich enough to pay hundreds of millions of taxes. Is it not humiliating to feel that the people are not provided with a currency to pay them in?—that while the Government sees the way clear for the exercise of its sovereign power in imposing taxes, it hesitates to exercise that power in furnishing the people a currency like that which it prescribes for its own receipts and disbursements? It is bold enough in its abstract legislation for itself,—as if assuming that the people could work miracles in performing their part. But can they do it? or will any possible form of two-penny State legislation concerning Banking and currency, be of any avail or result in anything but an aggravation of existing evils? Could Banks under National law, promising to pay specie on demand, fulfill their promise any better than Banks under State laws have done? Would the word "National," any more than the word "State," in their charters, enable them to pay gold, to reverse the course of foreign exchange, and to supply an hundred millions in gold yearly to be paid in taxes to the Government, and exported or hoarded as soon as it passes from the coffers of the Treasury?

If anything is to be done or attempted, it surely should not be on a plan which our experience has, over and over again, demonstrated to be delusive and unsafe. It is a great calamity that what is requisite has yet to be done. Had the plan proposed in these papers been adopted twelve months ago, or had the country then possessed a secured, ample, legal tender currency of Treasury notes, employed by all the Banks, and in circulation throughout the land, can there be any hazard in saying that every dollar of the public debt would have been taken by the people at par as fast as offered, and that at this moment their ability to take more would be ten times greater than it now is? Would the Government in that case be called to humble itself before the money power? Would the ghost of bullionism, emerging from the vaults of

suspended Banks, have waved his trident over our exhausted Treasury, and menaced the hosts of confiding creditors? Would the Government have had, haltingly and distrustfully, to adopt successive, inharmonious and inedequate expedients, temporary shifts, to be surmounted, if at all, by a sacrifice of National bonds, in masses under a far worse state of things than existed at the outset? Is this a fitting course for the Government of this nation, struggling for its very existence under an unheard of complication of internal difficulties, taunted and threatened by the jealousy and madness of political and commercial rivals? Are those arrogant and unscrupulous powers, which all but openly espoused the side of our rebel faction, threatened our subversion if any punctilio of etiquette on our part, even by a subordinate officer, was omitted, and backed their threats by sending fleets and armies to our shores before they ascertained whether they were insulted or not—hoping to provoke a quarrel, and to sustain themselves by ruining us;—are they the magnanimous, generous, trustworthy friends to whom in our distress we are to go for loans of money?

Is it not better that Congress should exercise its sovereign authority and discharge its long neglected duty, by providing a secure, uniform, inexportable, National currency, so that with respect to its internal and domestic affairs the country may be independent of the necessities and the policy of foreign nations, and, without being beggars, in debt and under bonds to them, may be prepared to meet and to pay the cost of meeting them if they assail our shores?

IV.

PIERMONT, MARCH, 1862.

The proper object of a nation's currency, and the fact that a connection of it with the foreign operations of commerce is purely artificial and gratuitous, deserves some special consideration. Could we entirely disabuse ourselves of the idea, that there is in the nature of the case any necessity whatever of having our *currency* exportable, the main objection—nay, the only seeming and plausible objection—to legalizing a uniform, legal tender, inexportable National currency, would be removed.

It seems to be taken for granted by political economists, financiers and legislators, that a commercial nation must, of course, have money panics and revulsions, unsettling prices' paralyzing business, and producing bankruptcy and ruin; changes and evils which occur only as effects of the operations of foreign commerce. These evils always make themselves felt first, and chiefly, in their effect on the currency; the diminution, scarcity, disappearance, of the circulating medium; the exportation of a portion of it, and the suppression of another portion. All commercial nations experience these evils. Different nations have legislated upon the subject from time to time; but as commerce has revived and extended, the evils have recurred with more frequency and severity.

It seems not to have occurred to the financiers and legislators that the difficulty, wholly and absolutely, results from making the currency itself an article of export, a commodity of foreign commerce, subject to the fluctuations of supply and demand, scarcity and abundance, as other exportable commodities. Did the question relate to any other article of constant and indispensable necessity, it would be easily understood. Suppose the different commercial nations to be at the same time equally in want of supplies of breadstuffs: and that one of them, having less than their wants required, should export half of what they had, and import in exchange commodities which they could do without, or of which they had already a supply. In that case the ensuing scarcity and suffering would be readily traced to their true cause; and if commerce repeated that operation, it would be regulated and restrained.

Under the existing systems of currency and commerce, each nation imports foreign commodities with little or no restriction, and exports at pleasure its *currency*, its most indispensable article, the withdrawment of which inevitably produces stagnation, sacrifice and suffering; and it is submitted to, as if there was no possible remedy. Those of the people who are engaged in commerce are left to carry on their game at pleasure, and to bring about the ruin of themselves and of all other classes. The absurdity of this course of operation might perhaps be seen, should the Esquimaux import coal and calico from England, and export their seal and blubber in payment; or should New England import sheep's wool for clothing, and

to pay for it export their looms and spindles; or should North Carolina import tar and rosin, and cut down and export their pitch-pine trees in payment; or should the government import gas, export coin, and subject the people to the tortures of the inquisition by way of stifling their complaints.

The theory of this system assumes that the welfare of a nation, as such, depends pre-eminently and absolutely on its commerce—on the greatest amount of commerce it can carry on—on the greatest amount of imports it can compass—on that portion of its imports, finally, which its exports will not pay for without draining away its currency, its means of exchanging and bringing into use what articles of subsistence and utility it has left. The theory assumes that the interest, of the nation involved in its foreign commerce, so vastly tran scend its internal and domestic interests, values and exchanges as to justify a constant hazard and sacrifice of the latter to uphold and maintain the former. Were the imports of foreign commodities limited to an amount which our surplus exportable products would pay for, without withdrawing a dollar of our coin, there would be no ground of complaint; but that excess which drains away, subverts and exhausts our circulating medium, produces evils, destroys values, subverts interests immeasurably exceeding its own value, real or nominal. The annual product of land, labor, buildings, machinery, internal commerce, transport and exchanges, may be reasonably estimated at 2,400 millions. The circulating currency constantly necessary to the acquisition and disposal of this product, may be 400 millions. Now suppose the average amount of exports to be, exclusive of coin, 300 millions. And suppose the amount of imposts in a particular year to be 350 millions, and to subject us to a drain of gold to the amount of 50 millions. That drain, supposing our currency to be wholly of coin, would create a panic, depress the prices of the whole of our product of land, labor, etc., occasion, probably, the hoarding of 50 millions of the remaining currency, cause a stagnation of business, a suspension of the payment of debts, stop laws, and produce bankruptcies and universal depression, sacrifices and sufferings. It is not extravagant to say that the pecuniary loss, sacrifice, annihilation of values, caused in this supposed case, during the operation and before things regained their former condition, would be equivalent to one-third of

the supposed annual product of 2,400 millions: *i. e.*, to 800 millions—a sum more than equal to the whole amount of the currency added to the amount of exports. But suppose the currency to consist of paper purporting to be based on coin, say in the proportion of seven of the former to one of the latter. Then the evils resulting would be greatly aggravated. The drain of fifty millions would exhaust the coin, cause the banks to suspend, depreciate their paper, derange and cripple both internal and commercial affairs, and cause prolonged and severe sacrifices preparatory to a resumption.

The above observations show the insignificance of the amount of our yearly exports compared with the amount of our yearly products. It is about as one to eight. Yet, on our present system, by attempting to have our local internal currency the same as that of other nations, and exporting it when there is an excessive import of foreign commodities, this fraction is made to fix the price, or rather to keep in a constant course of fluctuation the exchangeable value of the rest, the seven-eighths of our products, for home consumption. No man knows what to demand, or how much he must pay, for a barrel of flour or a bale of cotton, till a fresh arrival from Europe informs him what the price is in markets three thousand miles off, and what is the price of gold and the rate of foreign exchange. We have, in fact, no rule of valuation of our own, no standard, no measure. Our currency is not such; for that constantly fluctuates in quantity, not owing to an increased or diminished demand for internal circulation, but owing to the demands of foreign commerce and the state of foreign markets.

Now the evil effects of this system would be entirely precluded were our home currency inexportable, and gold and silver dealt with as articles of commerce, and freely exported and imported, as the demands of foreign commerce and exchange required. This plan would be alike secure and advantageous to our internal interests and affairs, and to the interests and relations of foreign commerce. The law or relation of supply and demand, would have its natural and wholesome operation in determining the exchangeable price of commodities, whether domestic or foreign, and if those engaged in foreign commerce became indebted to foreigners for an excess of imports, they might freely export the precious

metals, without subverting our currency; and if those metals did not suffice to pay the debt, as they often do not under the present system, their creditors must wait, as they now are obliged to do, till the evil corrected itself, or they must take a further quantity of our products at the price which our internal demands and exchanges determined them to be worth to us. This plan could work no evil. The utmost effect it could have on the operations of commerce, would be that of preventing an injurious excess of imports over exports, which effect would, assuredly, be alike advantageous to the interests of those engaged in commerce, and to those of the rest of the nation.

V.

MARCH, 1862.

The currency of a country is simply an institution of law. If gold and silver are legally employed as currency, they are so employed pursuant to laws which define the denominations, purity and weight of the several coins, and oblige creditors to receive them at the rates fixed, in all payments. If paper is employed as currency it is solely because the laws authorize and prescribe the conditions of its being so employed. In either case the currency of a nation is that which the nation legalizes as the circulating medium; and so far as regards the objects and uses of it as currency the question whether it consists of coin or of coin and paper and whether or not it has intrinsic value, is of no importance. It is the legal not the intrinsic value that is regarded in the act of passing either metallic or paper currency.

The currency of a nation has no necessary connection with *banking*. It may exist and fulfill its object where there are no Banks. Even where Banks are authorized to issue paper notes as currency, *Banking* is in its nature a wholly different operation; a Bank may carry on its peculiar business with or without issuing notes of its own;—it may receive deposits, and may lend coin, or notes of other Banks, in exchange for commercial notes. Coin, as having *intrinsic value*, is a commodity of commerce, like wheat or cloth; as *currency*, its legal relations only are involved and to be had in view.

The *legalized* currency of a country is intended, and in virtue of the laws, is or should be entitled, to pass current throughout the country. This is properly the object of its legalization, and consistently with this it ought to be all alike a legal tender. But the function which it performs as currency does not hinder other instruments of exchange being employed, and fulfilling the same function as currency, as perfectly as coin and Bank notes. Thus Treasury notes, negotiable notes and drafts of individuals, orders, cheques,—perfectly perform the office and are as really a part of the currency by which exchanges are effected and payments made, as are coin and Bank notes. Any thing that can be purchased with the one class of instruments, can be purchased with the other. When coin and Bank notes are plenty a larger proportion of payments may be made directly in them, than at other times, and when they are scarce, individual notes, cheques, etc., may supply the defect. But to whatever extent they are at any time employed they accomplish the same results and are as truly a part of the currency as coin. They, as currency, perform the same office and produce the same effect as coin—and practically are *money* as truly as coin is *money* in its function and use as currency.

Since coin, Bank notes, commercial notes, drafts, cheques, etc., are all employed in exchanges and payments and fulfil the function of currency in settlements and transfers of property, being often all of them employed in consummating particular transactions, and since there is no legal restraint on the issue of cheques, promisory notes, Bills of exchange, etc., to prevent an increase of them at pleasure when coin and Bank notes are scarce, and a diminution of them when coin and Bank notes are abundant,—it is plain that the volume of actual currency in use at any time does not depend on excessive or restricted issues of Bank notes, or of coin. The quantity of currency in use at a given time depends primarily and essentially on the state of trade at that time,—on the prosperity of affairs,—on social, commercial, and political confidence. If the issue of Bank notes is restrained at such a time, private credits, the notes, etc., of individuals, will be substituted. The activity of business and exchanges in such a case, may be checked in particular directions to some extent, but can not be largely and permanently controlled. The

actual demands of trade will call into use a proportionate supply of legalized or of voluntary currency. If trade is active *currency* in one form or another will be in use proportionately as the instrument of exchanges. That instrumentality is its sole object. If it accomplishes that, whatever be its form, it is *money*. Whether coin or paper, if it effects payments it is money, *i. e.*, it is the instrument of perfecting exchanges, which is the sole office and peculiarity of *money*. If gold and silver had no intrinsic or commercial value *as commodities*, and yet were *legalized*, in the form of coin, as currency, they would occupy the same place in the same relations, and be *money* in the same sense and only to the same effect, as *secured legal tender notes*, and were such notes in use as currency in sufficient quantity to supply the demands of trade they would, by their greater convenience, supersede the gold, however abundant that might be,—it would be shunned, exported, hid away in secret vaults, a useless, profitless, unwieldy, troublesome drug.

Much of the confusion which prevails respecting Currency, results from considering metallic coin as being, on account of its intrinsic value, a measure and standard of the value of other commodities, in the sense that feet are measures of length, and pounds of weight. This intrinsic value, it is held, is the equivalent and expression of the amount of *labor* spent in mining and coining; a notion which implies that labor has a uniform value, or that the product of a day's, month's or year's work, whenever and wherever performed, is uniform; whereas nothing is more fluctuating than the prices and results of given amounts of labor at different times and places. It is no more true that a silver dollar represents a specific amount, or average amount of labor, than that a bushel of wheat, when it sells for a dollar, represents the same specific amount of labor, and when it sells for half a dollar, represents half the amount of labor which the dollar is said to represent. It is in no degree owing to the expense of labor in mining and coining, that a dollar, as currency, is called a measure or standard of value, but is solely because the laws affix to a certain quantity of silver of given purity, when stamped as coin, a fixed denomination and make it a legal tender. The qualities of the metal and its limited quantity recommend it for use as coin; but were it as plenty as iron,

or were iron preferred, notwithstanding its greater abundance, the laws might make it when coined as effective an instrument and medium of exchanges—as effective in use as currency, as it now is; and it would be a standard or measure of value in the same sense as now, viz: as the fixed legal standard of comparison and reckoning in exchanges.

It is an extreme fallacy to suppose that any general inflation of prices, and excitement of speculation is ever caused by excessive issues of Bank notes—the disease precedes it, if an excessive issue takes place. No practicable prior excess would be sufficient to cause it. Speculation and inflation of prices is the work, not of legal currency, not of the possession and use of money, but wholly, or for the most part, of the use of individual credits, notes, bills, contracts, mortgages and the like. In a period of speculation and inflation of prices, the proportion of money actually used is very small; and the idea, that special restraints on the issue of Bank notes or coin, beyond a certain limit, do have or can have any important effect to prevent a rise of prices and speculation while the use of credit is open and free to all, is contrary to history and experience.

From the nature of the subject, and from the foregoing observations, the following conclusions justly result:

1. The legalized metallic and paper currency of a country (coin and Bank notes), should be national in its character,—receivable universally at par in all payments, public and private.

2. It should—Bank notes equally with coin—be a legal tender.

3. The notes should have no dependence whatever on the coin. They should be made as secure as coin, and as justly entitled to be a legal tender, without subjecting the issuers to any obligation to convert them into coin.

4. The *use* of Bank notes as currency is designed to supercede coin. To effect that end the notes should, by a pledge of securities, be rendered as safe as coin. In that case there can be no more danger of injury to the public from excessive issues of notes than from excessive issues of metal. The surplus beyond the existing demands of trade will in the one case equally as in the other, be kept in the Banks on deposit.

5. A legal tender currency, whether metallic or paper, is

simply a token and representative of value. Gold coined, stamped and legalized as currency, bears on its face a certificate of *intrinsic* value. Paper legalized, and secured by pledge of national bonds is a certificate of represented value,—each note representing a value equivalent to the same amount or denomination of coin. Both as instruments of exchange,—i. e., *as currency*—circulate merely as tokens, symbols, representatives.

6. Did the legalized currency consist wholly of paper, and were the public certain that for every dollar of paper issued a dollar of coin was deposited and held as security by the Government, not for the purpose of redeeming the notes *on demand*, but simply for the purpose of rendering the notes absolutely secure as representatives of value, the *notes* would be paid and received with the same confidence, and would perfectly accomplish the same effect as *coin*. The same would happen were the notes as effectually secured by pledge of public stocks.

7. For a nation to have two currencies, one for the Government, the other for the people—one a legal tender, the other not so,—is as preposterous and absurd as for a nation to have two conflicting sets of laws concerning individual or personal rights to property, and two conflicting judiciary systems, and two systems and standards of weights and measures.

VI.

PIERMONT, 22D OCTOBER, 1862.

THE preceding Letters were written in March last, as their dates indicate. They were submitted to two or three leading citizens of New York, with a view to the question of publishing them before the close of the last session of Congress. But, it being understood some time before the adjournment, that no decisive action on a Bank bill was likely to take place at that session, their publication was delayed. Since that period the course of events in relation to the currency has been such as to render it probable that some important measures of legislation will be deemed necessary and unavoidable at the approaching session.

What those measures will be, will depend partly, perhaps, on the condition of the National finances and liabilities, and partly on Public Opinion outside of the Halls of Congress. In a telegraphic despatch to the *Evening Post*, published on the 20th instant, entitled "The New Financial Policy—Mr. Chase's New Programme," it is announced as probable "that Mr. Chase will ask Congress to legislate so as to curtail the issue of Bank bills, and thus restore the value of Government paper to the gold standard; that he will not ask Congress for authority to issue more Treasury notes; and that it is the opinion of many financiers, who have been in Washington of late, *that if no more Government paper were to be issued, and if all the paper issues of the Banks could be suppressed, the Government paper would instantly rise to the value of gold.* The Government is convinced that something must be done to lessen the evil of the present disparity between specie and paper money."

Whether such be the opinion of the financiers or not, it is quite certain that if the Government would but suppress all issues of paper by State Banks and also their own dutiable demand notes, so as to reduce the volume of circulating currency seventy or eighty per cent, the remaining Treasury notes, provided no more were issued, would rise to the "gold standard," and gold would then rise at once to 100 or 150 per cent premium, not, indeed, as compared with the remaining paper in circulation, for that would be as scarce as gold; but as compared with the prices of agricultural and other commodities, and the exchangeable value of stocks, and of personal debts and obligations. A ten dollar gold piece or Treasury note would pay twenty or thirty dollars of debt, or buy forty or fifty bushels of wheat. The internal taxes would be quadrupled in amount by the cost of acquiring gold to pay them with. Meantime, however, the Government would have the consolation of paying interest on its bonds in gold at the legal rate, and that of selling its bonds at a discount equal to the premium on gold. The financiers would nevertheless have a good time of it. They would buy the National bonds. Bonds at half price, bearing interest at six per cent payable in gold at the legal rate, would be safe as a speculation. Discounting notes at the rate of thirty per cent. interest, payable in gold at fifty per cent. premium might do

if the customer would leave the proceeds and thirty or forty per cent. besides on deposit till the notes were at maturity.

Seriously—the proposition carried into effect is of a nature to cause more confusion, bankruptcy and ruin than the country has ever yet experienced. It would require a suspension or repudiation of all National, State, corporate and private debts, and render the payment of taxes impossible. The remedy would be ten thousand fold worse than the disease, but the scheme is both impossible and unnecessary. It is impossible: for Congress might as well legislate to suppress the State Government altogether, confiscate the property of the people, and make them slaves to their executive and legislative servants at Washington, as to legislate to suppress their power to charter Banks with authority to issue paper money.

Hitherto the National Government has failed to furnish to the people a National currency. It has left the people to take care of themselves in that respect, and has recognized their power in that behalf. They, through the State Governments have exercised that power. To wrest it from them, had Congress the power, without furnishing an ample and unfailing National currency in its place, would be to treat them worse than Pharaoh treated his Hebrew slaves, when he exacted from them the full tale of brick while he withheld the means of making them. There is a superlative absurdity in the proposition at the present time, when the banks are all suspended, gold is at a high premium, and there is, on account of the National expenditures, an inexorable demand for a greater volume of currency than in ordinary times. Is it possible to conceive of anything more preposterous than to propose to suppress two-thirds of the existing volume by way of reducing the remainder to par, and thereby of "lessening the evil of the present disparity between specie and paper money"? The *evil* of this disparity, whatever it is, is the natural and legitimate effect of the legislation of Congress in making an exclusive currency for the Government and leaving the people to provide themselves another and different currency, and in binding itself to pay interest on its bonds in gold. The Government,—when all the Banks of issue in the country were suspended for lack of coin wherewith to redeem their notes, and in the face of a growing scarcity, an advancing premium,

and a certainty that if to redeem a fraction of their notes they paid out what little coin they had, they would be utterly paralyzed,—steps forth and proclaims itself a constant and permanent customer in the market for gold, at whatever price, as an exportable article of commercial traffic, in competition with its foreign enemies and rivals, and with the whole money power of the world. That gold would rise was as certain and was as clearly foreseen, by others, if not by financiers, as the effect in any given instance of the law of gravitation. The same "opinion" which dictated that invidious and unheard of preference among the creditors of the Government, now dictates a measure of universal suffocation, bankruptcy and distraction by way of remedy.

But what is this mighty *evil* of a disparity between specie and paper money, (*i. e.* between the legal dollar as a currency and the price of gold as an article of merchandise,) to remedy which it is said the Government is now convinced that something must be done? Of what consequence is it to the mass of the population of this country, with their present volume of currency, whether gold, as an article of traffic and export, is at a premium or at a discount, as compared with Bank notes or with breadstuffs? Not one man in an hundred thousand has any occasion to buy or to sell it. It is out of circulation as a currency—a mere commodity of traffic—dealt in by foreigners and their agents, and by domestic speculators in competition with the Government. There is not enough of it in the whole country to redeem the stocks and pay the debts we owe abroad. That portion of it which is offered in market can be easily controlled, and as easily hereafter as heretofore. As long as there is a National customer requiring large sums at fixed periods, and a host of customs paying customers daily, the foreign and domestic dealers can dictate the price. Should the Government suppress its legal tender Treasury notes and undertake to pay its daily expenditures in gold and to collect the internal taxes in gold, there will be a crisis of a nature calculated to show the inexpediency of two systems of currency, one receivable by the Government and the other not, and the expediency and necessity of a uniform National currency, exempt from all dependence on the precious metals, the state of trade, the course of foreign exchange, and the vicissitudes of commerce.

If the Government finds itself incommoded by "the disparity between specie and paper money," Congress can remedy the *evil*, not by suppressing the paper, and thereby increasing the demand and the market price for gold, but by repealing their pledge to pay interest in gold so far as relates to all National bonds not previously issued, and by instituting a National legal tender currency secured by National bonds, as proposed in the preceding Letters.

The system of temporary expedients which of necessity has been resorted to, of borrowing gold on interest, returnable at a time fixed, hypothecating bonds, and the like, is hazardous, and in the nature of things, cannot long be adequate or reliable. The public expenditures are on too vast a scale, and likely to be too long continued to justify a reliance on such a system. It cannot be long before National bonds must be sold outright to private capitalists, or to existing or new State Banks, to be pledged as security for legal tender Treasury notes for circulation. This plan carried into effect, would absorb a large portion of the National bonds, and by establishing an ample and sound National currency, would enable the people to take the rest, to pay taxes, and to sustain the existing and impending burdens of the war. On the contrary if Congress, adopting the opinion of *the financiers*, attempts to force the people, the agriculturists, manufacturers, miners laborers, loyal citizens, to sustain the unstinted, enormous unknown expenses of the war, by payments in gold at the legal rate, there will soon be a crisis, and a crash and explosion, which political demagogues and eager financiers will be compelled to listen and attend to.

Draft of a Bill to Establish and Regulate a National Currency.

[Published in the New York Evening Post. January 16, 1862.]

[A bill having been published, purporting to be "The bill now before the Committee of Ways and Means of the House of Representatives," to which objections are made from all quarters, and which is generally regarded as wholly impracticable, and the public mind being in a state of anxious suspense on the subject, the subjoined *pro forma* bill, of quite a different character, has been drawn up in conformity with the views expressed in the pamphlet letter of Mr. E. Lord to the Secretary of the Treasury. This form, like the letter, contemplates no interference with existing Banks or their securities, or with the legislation of the States on the subject. It deals only with the immediate relations between the Treasury Department and such existing and new Banks and Banking Associations as shall voluntarily deposit National Bonds as securities and in exchange for circulating notes.

Such notes, while so secured, retire the Bonds, and take their place as circulating currency. They have, therefore, as circulating notes, the same value and are as perfect security as the Bonds which they represent. They constitute the public debt in the useful form of currency—circulating notes—receivable in all payments, public and private. When delivered to Banks in exchange for a like amount of Bonds to be held as security, the Banks receiving and issuing them as currency assume all risk incident to their own transactions.

The Government is no more called on to regulate the Banks and their transactions, or to attempt any supervision over them, than it is called on to regulate and superintend the business of private capitalists who have paid for and hold their Bonds, or the business and traffic of all the people who receive and pay out Treasury notes. The responsibility of the Government in this matter is expressed in the Bonds which

they issue, and equally in the circulating notes which they deliver in exchange for Bonds left with them in pledge; and it binds them to raise revenue and pay interest periodically on the Bonds whether pledged or not, and to pay the principal when due; and binds them to surrender the pledged Bonds to their owners when the notes issued in lieu of them are returned and cancelled.

If, then, the Bonds are safe, the notes are safe. If the Bonds, as an investment, are safe to private capitalists, then the circulating notes are safe to the people. And if there is no necessity of making the Bonds redeemable on demand in specie, then there can be, on the ground of security or of utility, no necessity for imposing on the notes a promise (futile when gold is plenty, and false when it is scarce,) of redemption in coin on demand. The first want of the country is an ample, safe and uniform currency; the second, a way of disposing of its impending debt which shall not impoverish or distress, but enrich, benefit and bless the people.

It is plain that something practicable must be proposed, and something effectual must be done, or a crisis with respect to the Government, the army and the people will ensue. Those who distress themselves with fears that there might be an over-issue of such *secured notes*, might better fear an over-issue of National Bonds. The amount of notes cannot exceed the amount of Bonds extant; and if the Bonds hereafter to be issued cannot be retired at par by pledging them for circulating notes, they may have to be sold for export at fifty per cent of their amount. The quantity may thus be doubled, and in the absence of a sound and sufficient currency the taxes for payment of interest may be doubled. When Banks have paid their money for National Bonds and pledged them in exchange for National notes, it will be safe to trust that they will not, at their own immediate risk, injure the country by over-issues. It is unsecured and suspended notes only that ever appear in dangerous excess. Such, substantially, is the purport of the letter and of this projected bill.]

AN ACT TO ESTABLISH AND REGULATE A NATIONAL CURRENCY.

1. It shall be lawful for any Banking Corporation, or individual banker, now carrying on the business of banking in

either of the United States, and for any individual, association or company that shall hereafter engage in the said business, to subscribe to any National loan now authorized, or which shall hereafter be authorized by law, on the conditions hereinafter specified, and for the purpose of depositing the stock so subscribed for by them respectively with the Treasury Department, to be held as security for circulating notes to be delivered by the said Department to the respective subscribers, to an amount in each case not exceeding the amount at par of the National stock pledged as security therefor.

2. The National stock so to be subscribed for, pursuant to proposals to be issued by the Secretary of the Treasury, shall be awarded to such subscribers at par, bearing interest at the rate of six per cent per annum, payable semi-annually; and shall be paid in such instalments as he shall prescribe, he holding the stock in trust, and delivering on the payment of each instalment an equal amount in notes for circulation as legalized National currency.

3. The said notes so to be delivered shall be of the denominations of 1, 2, 3, 5, 10, 20, 50, 100, 500, 1,000, 5,000 and 10,000 dollars. Those of each denomination, to whatever Banking Company or individual they may be delivered, shall be printed from one engraved plate, or from fac-similes thereof, and be in all respects similar, except that the names and places of business of the Banks securing and receiving for circulation any portion of them shall, after the notes are printed, be stamped or printed in plain, legible characters on the back of each and every note, in the following [or equivalent] terms:

"NATIONAL CURRENCY—TREASURY NOTE.
Five Dollars.

Secured and issued by the [Bank of, &c.] of the [city, town, &c.] in the State of ——, 186—."

4. Every note so secured and delivered for circulation shall, as a Treasury note, be current at par in every part of the country, shall be a valid legal tender, and shall be receivable in all payments, public and private [except customs]. Every such note shall be countersigned, numbered, registered and stamped by the Treasury Department [with the seal of the

United States or that of the Treasury Department]. Every such note shall bear on its face the following inscription:

"NATIONAL CURRENCY.—TREASURY NOTE. $5.
This note for [Five] Dollars, represents its equivalent of legal and exchangeable value in Bonds of the United States held in Trust by the Treasury Department; and, being stamped, countersigned, registered and issued to be put in circulation as legal currency of the United States, is by law a legal tender, and is receivable in all payments, public and private [except for custom duties].

[Signature.]	[Stamp.]	[Signature.]
For the Registrar of the Treasury.		For the Treasurer of the U. S."

5. No obligation shall be imposed on any Banking Company or Association, corporate or individual, to redeem with gold or silver coin, or otherwise, the notes so secured and circulated by them. But the Companies, Associations and individuals so securing, receiving and circulating the said notes, on giving three months' notice in writing to the Treasury Department of their intention to return the said notes, or a certain portion of them, and to reclaim their pledged securities to the same amount, shall be entitled so to do; provided, that the surrendry of the pledged National stock in exchange for returned notes shall be demanded only on days when interest is payable on the said stock, and that demands shall be made only for even sums, corresponding to even sums of Bonds. And provided further, that such Companies, Associations and individuals shall, at the time of their depositing National stock or Bonds as security for circulating notes, stipulate and agree in writing that in the event of their returning the said notes and demanding the pledged stock prior to the said stock becoming due and payable by the Government, they will receive the same at not less than its par value, and at such price over and above par as shall be shown to be its fair market value in the National currency, by an average of the quotations of sales during the ten days next preceding, in New York, Philadelphia and Boston.

6. The said Companies, Associations and individuals shall be subjected to no charge for or on account of the custody

and responsible safe keeping by the Treasury Department of the stocks deposited in trust as security for the said circulating notes, nor for or on account of the expense of preparing, recording and delivering the said notes to the parties depositing the securities; nor shall the said stock, while it is held in trust as security, nor the notes delivered in exchange therefor, be subject to any public tax or assessment whatever; nor shall the said stock, while so held in trust, be liable to be seized, attached, or in any manner interfered with, under or pursuant to any legal process, assignment, foreclosure or judgment, for the collection or securing of any debts or claims whatsoever.

7. The Treasury Department shall be responsible for the safe keeping of the National stock so deposited in trust as aforesaid, and for the surrender and delivery thereof to the respective depositors whenever they shall, in accordance with the provisions of this act, demand the same. But the said Department shall at no time be obligated or required to surrender or deliver an amount of the said stock at par, or at and including the price above par which shall be determined in the manner hereinbefore described, exceeding the amount of notes which shall be returned and cancelled when demand for the pledged stock shall be made. Should any of the secured notes fail to be returned and cancelled, the stock pledged for their redemption, and the interest thereon, shall be retained by the Treasury Department, so as to shield the Government from all liability on their account. And if, when the pledged stock is paid off by the Government, any of the secured notes shall not have been returned and cancelled, the moneys paid for the redemption of the stock still held as security, together with the interest received thereon, shall constitute a fund applicable to the redemption of such delinquent notes, should they ever be presented to the Companies, Associations or individuals by whom they were secured, and to whom they were originally issued, or by private individual holders of them.

8. All premiums which shall be received on any pledged stock which shall at any time be surrendered under the conditions specified in section fifth of this act shall be applied by the Treasury Department towards defraying the expenses of engraved plates, preparing, registering and delivering notes, and other charges incident to the execution of this act.

9. The Treasury Department shall, prior to their delivery, record, in books kept for that purpose, the numbers and denominations of all the secured notes delivered to the respective Companies, Associations and individuals; and also, the numbers and denominations of all the said notes, which shall be returned and cancelled from time to time. Also, a distinct list, whenever so many of the notes issued to particular Banks shall have been returned as to render that proper, of the numbers and denominations of such as have not been returned. Of lists of this description a periodical publication shall be made by the Secretary of the Treasury, once a year, or oftener, at his discretion.

10. Banking Companies, Associations and individuals complying with the conditions of this act, and securing and receiving for circulation notes of different denominations, may at pleasure surrender and cancel those of either of the particular denominations, and demand and shall be entitled to receive notes to the like amount of such other denominations as they shall require; but no issue of new notes to replace notes not surrendered and cancelled, or notes supposed to be lost or destroyed, can or shall in any case be permitted.

11. This act is not intended, and is not to be so construed, as to have the effect to interfere with the rights or interest, constitutional and legal, of existing Banking Companies, Associations and individual bankers. Those institutions have certain real or conceded rights, and there can be no motive on the part of the National Legislature to invade, disturb or interfere with them. Let them proceed without molestation by this act on whatever of legal or constitutional grounds their rights may depend, until otherwise questioned than on anything claimed or authorized by this act. If those of them whose circulating notes are secured by State stocks cannot immediately, without sacrifice on those stocks and injury to the States issuing them, throw them on the market and invest the proceeds in National stocks, let them proceed on the same footing as heretofore. If they suspend specie payments, let that result be deemed only as an incident of the system to which their institution and their usefulness hitherto are to be ascribed. If any or all of them are inclined and are able to add to present means of security and usefulness, by making

new and further investments in National stocks, and receiving and circulating notes in conformity with the provisions of this act, let there be no impediment to their taking that course. If they think proper to secure by a pledge of National stock only notes for five dollars and upwards, and to issue their own notes on their present basis for sums less than five dollars, making them redeemable in coin on demand, let them decide on that course for themselves, without reference to anything contained in this act.

12. The Secretary of the Treasury is hereby empowered and directed to accept, on terms consistent with the provisions of this act, and to hold in trust as security of notes for circulation of like description and denomination, and from the same plates as those hereinbefore authorized, National stocks already issued by the Government and held by existing Banking Companies, Associations and individuals, or by persons disposed to enter on the business of Banking, on the following conditions, namely: 1st. That the National stocks so to be accepted shall not be by law redeemable by the Government within less than ten years from and after the date of such acceptance, or shall, by agreement with him, which he is hereby authorized to make be extended so as not to be redeemable till the expiration of thirty years after the date of such acceptance. 2d. That he be not authorized, in any case, to promise and allow more than six per centum interest per annum on any stocks so to be accepted and held as security for the notes to be delivered in exchange for them, and issued and circulated as currency under the provisions of this act. 3d. That on National stocks bearing a less rate of interest than six per centum per annum, which shall be offered to him as security for circulating notes as aforesaid, he be and is hereby authorized to allow and pay interest at and after the rate of six per cent per annum during the period that the same shall be held by him in trust for the purpose aforesaid.

13. That the Secretary of the Treasury is hereby authorized and directed to organize a sub-department or bureau expressly for the execution of the provisions of this act; to appoint a competent officer to superintend the same, and such and so many subordinate officers, clerks and servants as shall be necessary to the discharge of the duties to be performed; to require such bonds of the said superintendent and officers, and to allow such

compensation for their services and for the services of those employed under them, as he shall deem just and reasonable, until their salaries shall be fixed by law; to appoint under the same conditions such officers or agents as he shall deem necessary in the several States or at the respective sub-treasuries of the Government, and to prescribe their duties in relation to the execution of the provisions of this act; to contract for the requisite engravings, paper and printing of the prescribed notes for circulation, and to pay these and all other expenses incident to the execution of this act out of any moneys in the Treasury not otherwise appropriated.

14. That it be the duty of the Secretary of the Treasury to exhibit in his annual report a statement of his acts and doings in execution of the provisions of this act; a statement of the names and locations of the Banking Companies, Associations and individuals that have deposited National stocks with him in trust; of the amounts and description of the stocks so deposited by them respectively; of the numbers and denominations of the notes delivered by him to them respectively; and such official suggestions and recommendations as he shall deem expedient.

15. Banking Companies, and Associations and individual Bankers, existing and carrying on the business of Banking at the date of this act and desiring to the extent only of part of their capital to avail themselves of its provisions, may, from time to time, deposit with the Treasury Department National stocks, and receive therefor a like amount of notes for circulation; but shall in no instance make such deposit of a less amount than ten thousand dollars, and shall in every instance of deposit deliver to the Secretary of the Treasury (or to the Superintendent of the Bureau of National Currency) a statement certifying the name, place of business, amount of capital, and such other particulars as he shall require and specify in printed forms to be filled up and certified.

16. In case of such Companies, Associations or individuals depositing the whole of their capital at one time, and in case of newly-organized Companies, or Associations, or individual Bankers, instituting the business of Banking under the provisions of this act, and depositing not less than one hundred thousand dollars of National stock, at first, and not less than ten thousand dollars at any one time thereafter, like

statements in like forms shall be certified and delivered at the time of making each deposit.

17. Banking Companies and Associations, and individual bankers, depositing the whole of their capital in the manner aforesaid, or instituting the business of Banking exclusively under the provisions of this act, shall, in relation to the said business, be deemed in law bodies corporate and politic [and as such may sue and be sued, plead, &c.]. But they shall not in that character, or as a part of their said business, issue for circulation or use as currency any notes or evidences of debt in their own name, or in their corporate capacity, on pain of forfeiting the privileges conferred by this act. If they receive on deposit notes of State Banks, or notes not secured by National stock in the manner prescribed by this act; all losses incurred thereby, in like manner as all losses incident to their loans and other transactions as bankers, shall be chargeable to their joint accounts, as *pro rata* to the individuals interested as proprietors in the National stock deposited by the said corporate bodies respectively; to the end that the Treasury Department shall be chargeable with no responsibility in relation to the administrative acts and business transactions of the said corporate bodies.

18. During the continuance of this act no proposal to surrender to the Treasury Department the secured notes therein provided for, or claim to receive the securities pledged therefor, shall be legal, except from the Companies, Associations and individuals, their successors and legal representatives, by which the securities were originally pledged, and to which the said notes were originally issued; except with respect to notes supposed, at and after a settlement with such Companies, Associations and individuals, to be lost or destroyed. But after such settlement individual holders of such notes may at any time present the same to the Treasury Department for redemption in National currency.

§ [Section prescribing penalty for counterfeiting.]

§ [Section authorizing the return of defaced and mutilated notes, the cancelling thereof, and delivery of new notes of the same denominations.]

NOTES AND COMMENTS ON PARTICULAR SECTIONS, ETC.

§ 2. As the amount or ratio of principal to be pledged is in all cases to be the same, viz., Bonds at par, I think the rate of interest to be allowed should be uniform. [See 12th section.]

§ 3. Much might be said in favor of having but one plate for each denomination of notes. National Bonds are alike. The notes are to be National currency. As such they should have the same aspect of inscription. Let the people see the plain expression of National faith on each and all alike, and be spared the confusion of a thousand mystical devices.

The plate for the front of each note will be uniform and complete. That for the back may have a movable section, or a blank for a stamp, for the name, etc., of the respective Banks.

§ 4. The inscription on the front is declarative, and, I think, should not be shortened.

§ 5. Non-redemption in coin and a legal tender must go together. The restrictive conditions in this section cannot, I should think, be objected to by depositors. The absorption of most of the National Bonds can hardly fail to raise the market price. It is equitable that the premium should be reserved. The contrary would tempt to a reclamation of the pledged Bonds, and to cause injurious fluctuations in the volume of currency. No sudden return of the notes should be allowed. Three months' notice prior to semi-annual payments of interest is short enough. Such notice should be private and confidential—should not be published, lest the market price of Bonds should be affected.

§ 6. This section proffers inducements which I believe to be not only justifiable and expedient, but necessary. If the National Bonds can be quietly placed at par, at six per cent interest, the whole expense of the management and value of the immunities proffered might be less than the sacrifice on a single loan of fifty millions advertised for in the ordinary way—which might be caused by an existing state of things or by a combination among capitalists having no object but that of realizing a premium. Besides, the expense may, without injustice to depositors of Bonds, or any pecuniary sacrifice on their part, be regained by the operation of other sections.

§ 7. This section is, perhaps, hardly explicit enough. I assume that when any pledged Bonds are paid off and cancelled,

the notes which they secure must be wholly, or as nearly as possible, returned and cancelled; for notes not so returned, sufficient of the money paid by the Government for such Bonds must be retained to cancel the outstanding notes. Retaining the money in such cases will be to the depositor of security precisely equivalent to retaining the Bonds pledged till the notes were returned.

§ 11. The wording of this section requires revision. The object and intention of it, however, is I suppose, sufficiently apparent. I do not think it would be wise or safe to tax, restrain or coerce the existing Banks.

§ 12. The reasons for this section are, perhaps, sufficiently obvious. I have not at hand any list of the 5, 6, or 7 per cent Bonds now extant—their quantities or the periods they have to run. I should think the 5 per cents would be likely to be largely held by existing Banks. The offer to pay 6 per cent while pledged under this act, would be apt to induce a transfer. If they are in the market, the price is, I believe, about 20 per cent below par; and that of 6 per cent about 10 per cent. The rate on all deposits pledged should be equal. The 7 and 7.30 notes will take care of themselves. They are redeemable too soon for pledged security. Future loans under this act need not and should not exceed 6. per cent.

§ 13. The organizations and functions of a Bureau of Currency must depend so entirely on the system to be executed that I pass this section without particular remark.